



Date: 2nd January, 2024

Ref. FEDFINA/ CS/ 24/ 2023-24

To, National Stock Exchange of India Ltd., Listing Department Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	To, BSE Limited, The Corporate Relationship Dept. Rotunda Building, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001 BSE NCD Company Code: 12337, ISIN INE007N08023, INE007N07041, INE007N08015 and INE007N07033
---	--

Re: Scrip Code: 544027, Symbol: FEDFINA

Subject: Intimation of credit rating under Regulations 30 and 51 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to the provisions of the Regulations 30 and 51 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable regulations, if any, please find below the details of the **new** long-term credit ratings assigned to the Non Convertible debentures(NCD) of the Company by CRISIL Ratings:

Name of the Credit Rating Agency	Credit rating assigned	Facilities/ Instruments	Amount (Rs. In crores)	Rating Action (New/ Upgrade/ Downgrade/ Re-Affirm/ Other)	Date of ratings received
CRISIL Ratings	CRISIL AA/Positive	Non-Convertible Debentures	1250	New	January 2, 2024

The Company currently has an NCD rating of AA-/(Positive) from India Ratings and AA/(Stable) from CareEdge Ratings.

The report from the credit rating agency covering the rationale for credit rating is enclosed.

The above is submitted for your kind information and appropriate dissemination.

For Fedbank Financial Services Limited

Rajaraman Sundaresan
Company Secretary & Compliance Officer
Mem. No: F3514

Rating Rationale

January 02, 2024 | Mumbai

Fedbank Financial Services Limited

'CRISIL AA/Positive' assigned to Non Convertible Debentures

Rating Action

Rs.1250 Crore Non Convertible Debentures	CRISIL AA/Positive (Assigned)
Rs.1000 Crore Commercial Paper	CRISIL A1+ (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL AA/Positive**' rating on the Rs 1250 crore of non-convertible debentures while reaffirming its '**CRISIL A1+**' rating on the commercial paper (CP) of Fedbank Financial Services Limited (Fedfina).

The rating factors in the strong support that Fedfina receives from its majority shareholder, The Federal Bank Ltd (Federal Bank; 'CRISIL A1+). Majority ownership, strategic importance and shared brand imply a strong moral obligation on Federal Bank to support Fedfina both on an ongoing basis as well as in the event of distress. The rating also factors in Fedfina's comfortable capitalisation. These strengths are partially offset by moderate, albeit growing, scale of operations and limited seasoning of the portfolio.

The outlook is a reflection of CRISIL Ratings' view on the long-term fixed deposit rating of the parent, The Federal Bank Ltd (Federal Bank; 'CRISIL AA+/Positive/CRISIL A1+).

Analytical Approach

For arriving at the ratings, CRISIL Ratings has assessed the standalone credit risk profile of Fedfina and factored in strong managerial and financial support from the parent, Federal Bank. The parent will continue to provide strong support to Fedfina, considering the strategic importance of the entity and the high moral obligation on account of majority shareholding and shared name.

Key Rating Drivers & Detailed Description

Strengths:

- Strategic importance to, and strong expectation of support from, the parent**

Fedfina is a subsidiary of Federal Bank and an integral part of its business strategy and will therefore remain strategically important to the bank. Overall, Federal Bank's cumulative equity contribution till date is Rs 471 crore, and holds 61.7% stake as on December 1, 2023. The company being a subsidiary of Federal Bank enjoys the benefits of shared brand name along with financial and operational support from its parent. CRISIL also derives comfort from the high degree of management integration with senior management representation of Federal Bank on the board of Fedfina.

The parent's funding, operational and management support is expected to continue.

- Comfortable capitalisation**

Overall capital adequacy ratio (CAR) stood at 19.7%, as on September 30, 2023. Tier 1 ratio and CAR stood at 15.1% and 17.9%, respectively, as on March 31, 2023. Networth stood at Rs 1,356 crore as on March 31, 2023 (Rs 1,496 crore as on September 30, 2023) and has increased from Rs 1,154 crore as on March 31, 2022, supported by both internal accrual as well as rights issue of Rs 200 crore in June 2021. The company had earlier raised capital through rights issue of Rs 79.20 crore in fiscal 2021, and Rs 200 crores in fiscal 2022. Both the shareholders participated in all these right issues.

Gearing was 5.4 times as on September 30, 2023, against 5.3 times as on March 31, 2023. While it is expected to inch up as operations gain scale, gearing will remain below 6.5 times over the medium term.

Weaknesses:

- Moderate, albeit growing, scale of operations**

The company primarily operates in the retail loan segments such as gold loan (33% of asset under management [AUM] as on September 30, 2023), medium ticket LAP (25%), unsecured business loans (16%), affordable mortgage (25%; comprising housing loans [6%] and small ticket LAP [18%]), and others (1%). AUM increased by 47% from Rs 6,187 crore as on March 31, 2022 to Rs 9,069 crore as on March 31, 2023 and further to Rs 10,030 crore as on September 30, 2023). Growth in fiscal 2023 was driven by affordable mortgage, small ticket LAP and unsecured business loans. While the AUM growth is expected to be broad based, Fedfina is likely to remain a small player in the non-banking financing space in the near term. Over the near to medium term, the company intends to increase the share of co lending business

specifically in the LAP and Gold Loan portfolio. Also, the share of gold loan portfolio in the overall AUM is expected to decline.

Top three states, Karnataka, Tamilnadu, and Maharashtra, accounted for around 53% of the AUM, with Maharashtra leading at 20% as on 30 September 2023. The management plans to expand its branch network in the next few fiscals. However, ability to scale up while maintaining delinquency levels will be closely monitored.

- **Limited portfolio seasoning**

While gold loans are of shorter tenure (average of 9 months), other products such as unsecured business loans (around 3 years), medium and small ticket LAP (13-14 years), and housing loans (around 18 years) are of long tenure. Also, many of these segments cater primarily to self-employed borrowers. Fedfina began offering a few of these products only recently, and hence, these loans are not seasoned and have not witnessed a complete credit cycle. Overall gross non-performing assets (GNPAs) moderated to 2.03% as on March 31, 2023, from 2.23% as on March 31, 2022. GNPAs increased in fiscal 2022 largely due to slippages in LAP, unsecured business loans, and one construction finance account. The increase in GNPA also included around 50 basis-point impact from the implementation of revised NPA recognition norms released by the Reserve Bank of India on November 12, 2021. GNPA was at 2.34 % as on September 30, 2023.

Fedfina had Rs 140 crore (1.4% of AUM) as on 30th September 2023, under COVID-19-related restructuring. Nevertheless, ability to manage collections and delinquencies will remain a key monitorable.

Liquidity: Strong

The asset-liability management profile was comfortable, with positive cumulative mismatches in the maturity bucket of up to one year as at September 2023. Fedfina had Rs 8,153 crore in borrowings as on 30th September 2023, comprising bank borrowings (89%; 9% is from the parent) and capital market (11%; non-callable debentures 10% and CPs 1%), with non-bank financing companies (NBFCs) accounting for the remaining.

The company had Rs 1001.90 crore debt maturing in September-December, 2023, for which it has unutilised bank line (Rs 181 crore), mutual fund investments (Rs 50 crore), other liquid investments (Rs 1107 crore) and cash and bank balance (Rs 122 crore). Short-term nature of gold loans (less than one year), which was 33% of the AUM as on September 30, 2023, offers healthy collections. Liquidity is cushioned by funding support extended by the parent, Federal Bank.

Outlook: Positive

CRISIL Ratings believes Fedfina will remain strategically important to Federal Bank and will continue to benefit from its strong support and high moral obligations from the parent.

Rating Sensitivity factors

Upward factors

- Rating upgrade of the parent Federal Bank by 1 or more notches
- Significant improvement in market position led by increase in scale of operations while maintaining comfortable adjusted gearing
- Sustenance of improvement in earnings profile with ROMA remaining at around 3.0% on steady state basis.

Downward factors

- Decline in support from Federal Bank, either by way of decline in ownership in Fedfina below 51% or in the strategic importance of the company to the parent
- Significant and continuous increase in delinquency, impacting profitability

About the Company

Fedfina, is a non-deposit accepting, systemically important non-banking finance company (NBFC-ND-SI). The company was incorporated in the state of Kerala in April 1995 and commenced operations in August 2010 after receiving the NBFC license from RBI. It is primarily engaged in the lending business with a diversified portfolio consisting of gold loans, loan against property, home loans and business loans. Fedfina is a retail-focused NBFC promoted by Federal Bank Limited (Federal Bank). Federal Bank, a commercial bank with significant presence in the private sector holds 61.7 % stake in Fedfina along with True North Fund, a renowned PE firm based in Mumbai, that holds the other 8.82% stake through its fund (True North Fund VI LLP) as on 1st December 2023. The proportion of the wholesale book has reduced to 1% as on June 30, 2023 from 26% as of March 31, 2017

The company has 607 branches in 17 states and AUM of Rs 10030 Crs as at 30th September 2023, The company's AUM has grown from Rs 9,069 crore as on March 31, 2023. The company earned a profit after tax (PAT) increased to Rs 180 crore in fiscal 2023 from Rs 103 crore in fiscal 2022. The company has achieved PAT of Rs 111.64 Crs for six months ended September 30, 2023 from same period of FY 23 which saw PAT of Rs 89.92 Crs,. Return on managed assets (RoMA) improved to 2.1% in fiscal 2023 from 1.6% in fiscal 2022, driven by better lower credit cost of 0.6% vs 1.3%. Annualised RoMA for the six months ended September 30, 2023, was 2.2%, on the back of lower credit cost of 0.5%, it was 0.6% in fiscal 2023.

Key Financial Indicators

As on / for the fiscal year ended March 31,	Unit	Sep-23 (UA)	2023 (A)	2022 (A)
Total assets	Rs crore	10,105	9,071	6,556
Total income (net of interest expense)	Rs crore	435	743	536
PAT	Rs crore	112	180	103
Gross Stage 3 assets	%	2.34	2.03	2.23
Return on managed assets	%	2.2*	2.1	1.6

*annualised

UA: unaudited, A: audited

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity Level	Rating assigned with outlook
NA	Non convertible debentures*	NA	NA	NA	1250	Simple	CRISIL AA/Positive
NA	Commercial paper	NA	NA	7-365 days	1000	Simple	CRISIL A1+

*yet to be issued

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	1000.0	CRISIL A1+		--	30-10-23	CRISIL A1+	30-09-22	CRISIL A1+	25-01-21	CRISIL A1+	CRISIL A1+
			--		--	28-09-23	CRISIL A1+	28-01-22	CRISIL A1+		--	--
Non Convertible Debentures	LT	1250.0	CRISIL AA/Positive		--		--		--		--	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria

[Rating Criteria for Finance Companies](#)

[CRISILs Criteria for rating short term debt](#)

[Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support](#)

Media Relations	Analytical Contacts	Customer Service Helpdesk
Aveek Datta Media Relations CRISIL Limited M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com Prakruti Jani Media Relations CRISIL Limited M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com Rutuja Gaikwad Media Relations CRISIL Limited B: +91 22 3342 3000 Rutuja.Gaikwad@ext-crisil.com	Ajit Velonie Senior Director CRISIL Ratings Limited B:+91 22 3342 3000 ajit.velonie@crisil.com Subha Sri Narayanan Director CRISIL Ratings Limited B:+91 22 3342 3000 subhasri.narayanan@crisil.com Bharat Nagda Rating Analyst CRISIL Ratings Limited B:+91 22 3342 3000 Bharat.Nagda@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesks@crisil.com

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment

and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>